

**EAGLE MOUNTAIN CITY**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2006**

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# GILBERT & STEWART

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
Eagle Mountain City  
Eagle Mountain, UT

February 27, 2007

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Eagle Mountain City, Utah, as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Eagle Mountain City's Management. Our responsibility is to express opinions on these financial statements based on our audit.

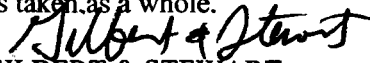
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Eagle Mountain City, as of June 30, 2006, and the respective changes in financial position and cash flows where applicable for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 27, 2007 on our consideration of Eagle Mountain City's internal control over financial reporting and on our test of its compliance with certain provisions, laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Mountain City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
GILBERT & STEWART  
*Certified Public Accountants*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Eagle Mountain, we offer readers of Eagle Mountain's financial statements this narrative overview and analysis of the financial activities of Eagle Mountain City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,698,098. Of this amount \$4,674,238 is reserved and must only be spent on projects for which the money is reserved. The remaining \$7,023,860 is divided as follows: \$2,433,605 is unreserved in the General Fund, and \$4,590,255 is unreserved in the Special Revenue (Special Assessment) and Non-major Governmental Funds.
- The total net assets of \$78,401,447 are made up of \$37,379,972 in capital assets net of related debt and \$41,021,475 in other net assets. Total net assets increased by \$5,125,996 from the prior year.
- In the Enterprise (Proprietary) Funds operating revenues increased by \$2,500,937 (18%). Corresponding operating expenses increased by \$2,140,680 (18.9%).
- The City completed construction of two new buildings in FY 2005: a Public Works Utility Building and a City Hall.

### Reporting the City as a Whole

This discussion and analysis is intended to serve as an introduction to Eagle Mountain City's basic financial statements. Eagle Mountain City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

***The government-wide financial statements*** are designed to provide readers with a broad overview of Eagle Mountain City's finances, in a manner similar to a private-sector business.

- *The statement of net assets* presents information on all of Eagle Mountain City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Eagle Mountain City is improving or deteriorating. However, you will also need to consider other non-financial factors.

- *The statement of activities* presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Eagle Mountain City that are principally supported by taxes and intergovernmental revenues (governmental activities) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 8 & 9 of this report.

### **Reporting the City's Most Significant Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Eagle Mountain City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental fund financial statements can be found on pages 10-13 of this report.

The major governmental funds (as determined by generally accepted accounting principles) are the General Fund and certain Special Revenue Funds. The balance of the governmental funds is determined to be nonmajor and is included in the combined statements within this report.

- **Proprietary funds** – Eagle Mountain City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Eagle Mountain City uses enterprise funds to account for its Water Utility, Sewer Utility, Gas Utility, Electric Utility, Telecommunications Utility, and Garbage Collection.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

- Additionally the City reports the following fund types:  
Internal Service Fund accounts for the fleet management services provided to other departments of the government, on a cost reimbursement basis.

### Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Eagle Mountain City, assets exceed liabilities by \$78,401,447

One of the largest portion's of Eagle Mountain City's net assets (52%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table summarizes the City's net assets. Comparative figures for Fiscal Years 2005 and 2006 are shown.

**Eagle Mountain City's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Current and other assets	\$29,051,527	\$28,440,075	\$11,718,491	\$17,347,074	\$40,770,018	\$45,787,149
Capital assets	39,387,902	39,311,031	48,681,875	42,424,581	88,069,777	81,735,612
Total assets	68,439,429	67,751,106	60,400,366	59,771,655	128,839,795	127,522,761
Long-term debt outstanding	20,876,611	16,043,425	32,005,000	29,434,309	52,881,611	45,477,734
Other liabilities	1,899,849	1,944,602	1,310,710	1,698,978	3,210,559	3,643,580
Total liabilities	22,776,460	17,988,027	33,315,710	31,133,287	56,092,170	49,121,314
<b>Net assets:</b>						
Invested in capital assets,						
Net of related debt	18,511,291	23,315,628	18,816,524	14,064,344	37,327,815	37,379,972
Restricted	2,562,252	4,674,238	1,094,071	4,686,839	3,656,323	9,361,077
Unrestricted	24,589,426	21,773,213	7,174,063	9,887,185	31,763,489	31,660,398
Total net assets	\$45,662,969	\$49,763,079	\$27,084,658	\$ 28,638,368	\$ 72,747,627	\$ 78,401,447

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 3,453,004	\$ 6,199,826	\$ 10,496,527	\$ 14,666,038	\$ 13,949,531	\$ 20,865,864
Operating grants & contrib	209,081	159,011			209,081	159,011
Capital grants & contrib	3,985,979	3,579,836	423,145	959,172	4,409,124	4,539,008
General revenues:						
Property taxes	684,033	723,710			684,033	723,710
General sales & use tax	520,797	778,689			520,797	778,689
franchise tax	190,171	479,024			190,171	479,024
Other taxes					-	-
Other	22,437	283,485			22,437	283,485
Transfers	129,480		(129,480)		-	-
Loss on Sale of Capital Assets				(83,138)	-	(83,138)
Interest Earnings		610,962			-	610,962
Total revenues	<u>9,194,982</u>	<u>12,814,543</u>	<u>10,790,192</u>	<u>15,542,072</u>	<u>19,985,174</u>	<u>28,356,615</u>
<b>Expenses:</b>						
General government	2,132,569	2,611,321			2,132,569	2,611,321
Public safety	962,991	1,395,467			962,991	1,395,467
Highways & public works	1,734,366	2,022,183			1,734,366	2,022,183
Community development	378,787	585,551			378,787	585,551
Planning	164,450	187,097			164,450	187,097
Interest on long-term debt	2,276,698	1,912,814			2,276,698	1,912,814
Water utility			1,443,035	1,531,759	1,443,035	1,531,759
Sewer utility			1,427,855	1,606,516	1,427,855	1,606,516
Electric utility			3,931,607	5,786,783	3,931,607	5,786,783
Gas utility			2,189,267	3,454,314	2,189,267	3,454,314
Telecommunication utility			1,713,883	1,608,990	1,713,883	1,608,990
Garbage			40,089		40,089	-
Total expenses	<u>7,649,861</u>	<u>8,714,433</u>	<u>10,745,736</u>	<u>13,988,362</u>	<u>18,395,597</u>	<u>22,702,795</u>
Increase (decr) in net assets	1,545,121	4,100,110	44,456	1,553,710	1,589,577	5,653,820
Net assets - beginning	<u>44,117,847</u>	<u>45,662,969</u>	<u>27,040,202</u>	<u>27,084,658</u>	<u>71,158,049</u>	<u>72,747,627</u>
Net assets - ending	<u>\$45,662,968</u>	<u>\$49,763,079</u>	<u>\$ 27,084,658</u>	<u>\$ 28,638,368</u>	<u>\$ 72,747,626</u>	<u>\$ 78,401,447</u>

**Business-type activities.** Business-type activities increased the City's net assets by \$1,365,320. As of the end of the current fiscal year, all of the City's business-type funds reported positive net assets.

### Financial Analysis of the Government's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$11,698,098. \$7,023,860 of this total amount (60%) constitutes unreserved fund balance, which is available for spending at the government's discretion. The majority of this

unreserved fund balance is in the Special Revenue Funds. The remainder of fund balance (\$4,674,238) is reserved to indicate that it is not available for new spending because it has already been committed.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,433,605, an increase of \$1,369,603 from Fiscal Year 2005. Total fund balance reached \$5,570,837, an increase of \$2,483,570 from the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 41% of total general fund expenditures, while total fund balance represents 94% of that same amount.

The City maintains enterprise funds to account for the business-type activities of the City. The information is found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the combined Enterprise funds at the end of the year amounted to \$9,698,796. The value of capital assets net of related debt in these same funds is \$14,064,344. As mentioned in the financial highlights, operational revenues and expenditures in the Enterprise funds increased by \$2,500,937 (18%) and \$2,140,680 (18.9%), respectively.

### General Fund Budgetary Highlights

During the fiscal year, the General Fund's original budget was amended from an original budget expenditure total of \$5,191,207 to a final budget of \$6,199,929, an increase of \$1,008,722. The increase reflects higher than anticipated expenditures within the General Fund.

### Capital Assets and Debt Administration

**Capital Assets.** Eagle Mountain City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$81,735,612 (net of accumulated depreciation). The investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

#### Eagle Mountain City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Land	\$ 5,384,797	\$ 5,384,797	\$ 1,750,903	\$ 1,667,276	\$ 7,135,700	\$ 7,052,073
Buildings	729,696	711,004	4,029,481	4,047,094	4,759,177	4,758,098
Improvements	6,207	5,954			6,207	5,954
Equipment	307,389	540,116	42,901,491	36,710,211	43,208,880	37,250,327
Infrastructure	32,959,813	32,669,160			32,959,813	32,669,160
Construction in progress						-
Total net assets	<u>\$ 39,387,902</u>	<u>\$ 39,311,031</u>	<u>\$ 48,681,875</u>	<u>\$ 42,424,581</u>	<u>\$ 88,069,777</u>	<u>\$ 81,735,612</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

**Long-term debt.** At the end of the current year, the City had total bonded debt outstanding of \$45,336,000. Of this amount \$15,941,000 is from Special Assessment Bonds. The remaining \$29,395,000 is secured solely by specific revenue sources (i.e., revenue bonds).

**Eagle Mountain City's Outstanding Debt  
General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Special Assessment Bonds	\$ 19,571,000	\$ 14,818,000	\$ -	\$ -	\$ 19,571,000	\$ 14,818,000
Excise Tax Bonds	1,226,000	1,123,000			1,226,000	1,123,000
Capital Lease	79,611	54,403	-	-	79,611	54,403
Revenue Bonds	-	-	32,005,000	29,395,000	32,005,000	29,395,000
<b>Total Bonds</b>	<b>\$ 20,876,611</b>	<b>\$ 15,995,403</b>	<b>\$ 32,005,000</b>	<b>\$ 29,395,000</b>	<b>\$ 52,881,611</b>	<b>\$ 45,390,403</b>

The City's total outstanding debt decreased by \$7,491,208 during Fiscal Year 2006. This was a result of the refinancing of a Special Assessment Bond, an interim bond call for one of the Special Assessment Bonds, a refunding of a revenue bond, the repayment of the Telecommunication Bonds due to the sale of the Telecommunications assets, and the required debt service payments.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitations for the City are \$16,172,755, which is significantly in excess of the City's outstanding general obligation debt. In addition, state statutes allows for an additional 4% to be used for water, sewer, or other projects thus resulting in a debt limit of 8% of total taxable value. Total limitation is \$32,345,510, which again significantly exceeds the outstanding debt.

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

**Economic Factors and Next Year's Budgets and Rates**

- City of Eagle Mountain continues to experience high growth rates. Of the general fund revenues, approximately 30% is derived from development activities. We anticipate that the growth rate will remain consistent for the coming fiscal year.
- The General Fund Expenditure budget for the fiscal year-ending June 30, 2007 reflects an increase of 30% over the final budget for fiscal year ending June 30, 2006.

**Request For Information**

This financial report is designed to provide a general overview of Eagle Mountain City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Eagle Mountain City, Finance Director, 1650 East Stagecoach Run, Eagle Mountain, UT 84005.

## **BASIC FINANCIAL STATEMENTS**

**EAGLE MOUNTAIN CITY**

## Statement of Net Assets

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,997,933	\$ 9,305,146	\$ 15,303,079
Restricted Cash and Cash Equivalents	6,449,875	4,715,719	11,165,594
Accounts Receivable			
Customers (Net of Allowance)	70,461	1,207,114	1,277,575
Intergovernmental	79,236	-	79,236
Assessments Receivable	14,324,383	-	14,324,383
Taxes Receivable	838,638	-	838,638
Other Receivable		200,000	200,000
Prepaid Expenses	2,854		2,854
Internal Balances	(188,389)	188,389	-
Deferred bond cost - net	865,084	1,730,706	2,595,790
Capital assets (net of accumulated depreciation):			
Land	5,384,797	1,667,276	7,052,073
Buildings	711,004	4,047,094	4,758,098
Improvements	5,954	-	5,954
Equipment and Systems	540,116	36,710,211	37,250,327
Infrastructure	32,669,160	-	32,669,160
Total assets	<u>67,751,106</u>	<u>59,771,655</u>	<u>127,522,761</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	568,923	863,461	1,432,384
Deposits	494,445	250,492	744,937
Deferred revenue	588,828	-	588,828
Bond interest payable	292,406	122,837	415,243
Unamortized Bond Premium		462,188	462,188
Long Term Liabilities		-	-
Due Within One Year	1,722,515	220,000	1,942,515
Due in More Than One Year	14,320,910	29,214,309	43,535,219
Total liabilities	<u>17,988,027</u>	<u>31,133,287</u>	<u>49,121,314</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	23,315,628	14,064,344	37,379,972
Restricted			
C Roads	712,766	-	712,766
Impact Fees	3,961,472	4,686,839	8,648,311
Unrestricted	21,773,213	9,887,185	31,660,398
Total net assets	<u>\$ 49,763,079</u>	<u>\$ 28,638,368</u>	<u>\$ 78,401,447</u>

See accompanying notes to the financial statements.

# EAGLE MOUNTAIN CITY

## Statement of Activities

For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 2,611,321	\$ 1,216,112	\$ -	\$ (1,395,209)	\$ -	\$ (1,395,209)
Public safety	1,395,467	157,380	117,640	(1,109,743)	-	(1,109,743)
Public Works	2,022,183	2,169,196	3,569,132	3,716,145	-	3,716,145
Community Development	585,551	111,782	-	(473,769)	-	(473,769)
Planning	187,098	2,545,356	41,371	2,399,629	-	2,399,629
Interest on long-term debt	1,912,814	-	-	(1,912,814)	-	(1,912,814)
Total governmental activities	8,714,434	6,199,826	159,011	1,224,240	-	1,224,240
<b>Business-type activities:</b>						
Water	1,531,759	3,132,573	-	-	2,400,386	2,400,386
Sewer	1,606,516	1,591,447	-	-	36,451	36,451
Electric	5,786,783	4,806,023	-	-	(882,480)	(882,480)
Gas	3,454,314	3,778,937	-	-	334,423	334,423
Non Major Business-Type	1,608,990	1,357,058	-	-	(251,932)	(251,932)
Total business-type activities	13,988,362	14,666,038	-	-	1,636,848	1,636,848
Total primary government	\$22,702,796	\$20,865,864	\$ 159,011	\$ 1,224,240	\$ 1,636,848	\$ 2,861,088
<b>General revenues:</b>						
Property taxes				\$ 723,710	\$ -	\$ 723,710
General sales and use tax				778,689	-	778,689
Franchise Taxes				479,024	-	479,024
Miscellaneous				283,485	-	283,485
Loss on sale of capital assets				-	(83,138)	(83,138)
Interest Earnings				610,962	-	610,962
Transfers				-	-	-
Total general revenues				2,875,870	(83,138)	2,792,732
Change in net assets				4,100,110	1,553,710	5,653,820
Net assets - beginning				45,662,969	27,084,658	72,747,627
Net assets - ending				\$49,763,079	\$28,638,368	\$ 78,401,447

See accompanying notes to the financial statements.

**EAGLE MOUNTAIN CITY****Balance Sheet****Governmental Funds**

For the Year Ended June 30, 2006

	General Fund	Special Revenue 98-1	Special Revenue 200-1	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,767,767	\$ 71,440	\$ 65,587	\$ 12,707	\$ 5,917,501
Restricted cash	-	1,686,219	3,715,500	1,048,156	6,449,875
Receivables (net):					
Accounts	70,461	-	-	-	70,461
Taxes	838,638	-	-	-	838,638
Intergovernmental	79,236	-	-	-	79,236
Special Assessments	-	4,602,504	8,065,081	1,656,798	14,324,383
Prepaid Expenses	2,854	-	-	-	2,854
Due from Other Funds	472,348	-	-	-	472,348
Total assets	<u>\$ 7,231,304</u>	<u>\$ 6,360,163</u>	<u>\$11,846,168</u>	<u>\$ 2,717,661</u>	<u>\$ 28,155,296</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable & accrued liabilities	\$ 554,083	\$ -	\$ -	\$ -	\$ 554,083
Deposits	494,445	-	-	-	494,445
Due to other funds	-	-	-	472,348	472,348
Deferred revenue	611,939	4,602,504	8,065,081	1,656,798	14,936,322
Total liabilities	<u>1,660,467</u>	<u>4,602,504</u>	<u>8,065,081</u>	<u>2,129,146</u>	<u>16,457,198</u>
<b>Fund Balances:</b>					
Fund balances reserved for:					
Roads	712,766	-	-	-	712,766
Impact Fees	2,424,466	447,377	1,039,572	50,057	3,961,472
Debt Service	-	-	-	-	-
Unreserved, reported in:					
General Fund	2,433,605	-	-	-	2,433,605
Debt Service Fund	-	-	-	12,707	12,707
Capital Projects Fund	-	-	-	(163,544)	(163,544)
Special Revenue Funds	-	1,310,282	2,741,515	689,295	4,741,092
Total fund balances	<u>5,570,837</u>	<u>1,757,659</u>	<u>3,781,087</u>	<u>588,515</u>	<u>11,698,098</u>
Total liabilities & fund balances	<u>\$ 7,231,304</u>	<u>\$ 6,360,163</u>	<u>\$11,846,168</u>	<u>\$ 2,717,661</u>	<u>\$ 28,155,296</u>

See accompanying notes to the financial statements.

# **EAGLE MOUNTAIN CITY**

## **Balance Sheet Reconciliation to**

### **Statement of Net Assets**

**June 30, 2006**

Total fund balances - governmental fund types:	\$ 11,698,098
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,311,031
Long-term assets not available to pay for current period expenditures and, therefore, are deferred in the funds	14,347,494
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(15,470,746)
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	(122,798)
Net assets of government activities	<u>\$ 49,763,079</u>

*See accompanying notes to the financial statements.*

**EAGLE MOUNTAIN CITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2006**

	General Fund	Special Revenue 98-1	Special Revenue 200-1	Nonmajor Governmental Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 1,975,019	\$ -	\$ -	\$ -	\$ 1,975,019
Special Assessments	-	1,900,394	3,601,604	894,129	6,396,127
Licenses and permits	2,555,678	-	-	-	2,555,678
Intergovernmental	499,806	-	-	-	499,806
Charges for services	1,426,009	-	-	-	1,426,009
Impact fees	1,220,121	225,545	759,184	13,290	2,218,140
Miscellaneous	712,980	64,208	114,837	43,793	935,818
Total revenues	<u>8,389,613</u>	<u>2,190,147</u>	<u>4,475,625</u>	<u>951,212</u>	<u>16,006,597</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,511,697	117	155,426	7,750	2,674,990
Public safety	1,326,771	-	-	-	1,326,771
Public works	890,946	-	-	-	890,946
Planning and Zoning	198,802	-	-	-	198,802
Community Development	602,492	-	-	-	602,492
Debt service:					
Principal retirement	-	1,427,000	11,585,000	709,208	13,721,208
Interest and fiscal charges	-	369,532	1,381,968	200,568	1,952,068
Capital Outlay	-	-	206,798	744,600	951,398
Total expenditures	<u>5,530,708</u>	<u>1,796,649</u>	<u>13,329,192</u>	<u>1,662,126</u>	<u>22,318,675</u>
Excess revenues over (under) expenditures	<u>2,858,905</u>	<u>393,498</u>	<u>(8,853,567)</u>	<u>(710,914)</u>	<u>(6,312,078)</u>
<b>Other financing sources (uses)</b>					
Debt Proceeds	-	-	8,740,000	-	8,740,000
Operating Transfers In	-	-	300,000	75,335	375,335
Operating Transfers Out	(375,335)	-	-	-	(375,335)
Total other financing sources and uses	<u>(375,335)</u>	<u>-</u>	<u>9,040,000</u>	<u>75,335</u>	<u>8,740,000</u>
Excess of revs and other sources over (under) expend and other uses	<u>2,483,570</u>	<u>393,498</u>	<u>186,433</u>	<u>(635,579)</u>	<u>2,427,923</u>
Fund balances - beginning of year	<u>3,087,267</u>	<u>1,364,161</u>	<u>3,594,654</u>	<u>1,224,093</u>	<u>9,270,175</u>
Fund balances - end of year	<u>\$ 5,570,837</u>	<u>\$ 1,757,659</u>	<u>\$ 3,781,087</u>	<u>\$ 588,515</u>	<u>\$ 11,698,098</u>

*See accompanying notes to the financial statements.*

**EAGLE MOUNTAIN CITY**  
Statement of Changes Reconciliation to  
Statement of Activities  
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 2,427,923
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(76,871)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(3,192,053)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,764,547
Internal service funds are used by management to charge the cost of the fleet management to the individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities	(122,797)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>299,361</u>
Change in net assets of governmental activities	<u>\$ 4,100,110</u>

*See accompanying notes to the financial statements.*

**EAGLE MOUNTAIN CITY**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	Business-Type Activities - Enterprise						Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Gas	NonMajor Enterprise Fund	Total	
<b>ASSETS</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ 3,869,699	\$ 116,500	\$ 3,219,483	\$ 100,588	\$ 1,998,876	\$ 9,305,146	\$ 80,432
Accounts receivable - net	220,268	121,686	501,420	273,112	90,628	1,207,114	-
Other Receivables	-	-	-	-	200,000	200,000	-
Due from other funds	-	-	-	-	-	0	-
Total current assets	4,089,967	238,186	3,720,903	373,700	2,289,504	10,712,260	80,432
<b>Noncurrent assets:</b>							
Restricted cash and cash equivalents	761,062	1,109,529	1,767,699	1,077,429	-	4,715,719	-
Land, equipment, buildings and improv.	15,441,401	12,465,111	19,654,531	6,214,862	-	53,775,905	317,263
Less: Accumulated depreciation	(2,864,250)	(2,600,076)	(4,194,757)	(1,692,242)	-	(11,351,325)	(35,535)
Deferred bond financing costs - net	186,291	430,633	946,715	167,067	-	1,730,706	-
Total noncurrent assets	13,524,504	11,405,197	18,174,188	5,767,116	-	48,871,005	281,728
Total assets	17,614,471	11,643,383	21,895,091	6,140,816	2,289,504	59,583,265	362,160
<b>LIABILITIES</b>							
<b>Current liabilities:</b>							
Accounts payable and accrued liabilities	38,367	293,405	408,910	68,055	54,723	863,460	14,841
Bond Interest Payable	18,259	38,801	55,910	9,867	-	122,837	-
Due to Other Funds	-	-	-	-	-	0	-
Current portion of bonds payable	70,400	149,600	-	-	-	220,000	-
Total current liabilities	127,026	481,806	464,820	77,922	54,723	1,206,297	14,841
<b>Noncurrent liabilities:</b>							
Deposits	44,340	38,673	75,238	92,241	-	250,492	-
Compensated Absences	7,410	11,740	15,889	4,270	-	39,309	-
Bond Premium - Net	-	-	392,860	69,328	-	462,188	-
Bonds Payable	2,496,434	5,203,566	18,253,750	3,221,250	-	29,175,000	-
Total noncurrent liabilities	2,548,184	5,253,979	18,737,737	3,387,089	-	29,926,989	-
Total liabilities	2,675,210	5,735,785	19,202,557	3,465,011	54,723	31,133,286	14,841
<b>Net Assets:</b>							
Invested in capital assets, net of related debt	10,113,073	4,621,993	(2,793,976)	2,123,254	-	14,064,344	-
Restricted - Impact Fees	2,858,149	720,241	1,108,449	-	-	4,686,839	-
Unrestricted	1,968,039	565,364	4,378,061	552,551	2,234,781	9,698,796	238,014
Total net assets	\$ 14,939,261	\$ 5,907,598	\$ 2,692,534	\$ 2,675,805	\$ 2,234,781	\$ 28,449,979	\$ 238,014
Adjustment to reflect the consolidation of internal service fund activities to the enterprise funds						188,389	
Net assets business-type activities						\$ 28,638,368	

See accompanying notes to the financial statements.

**EAGLE MOUNTAIN CITY**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2006**

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Water	Sewer	Electric	Gas	Nonmajor Enterprise Fund	Total	
<b>Operating revenues:</b>							
Charges for Services	\$ -	\$ -	\$ -	\$ -	\$ 1,262,591	\$ 1,262,591	\$ 507,000
Charges for Services Pledged as Security on Revenue Bonds	1,587,211	1,090,026	4,192,001	3,697,521	-	10,566,759	-
Other Operating Income					80,738	80,738	-
Total operating revenues	<u>1,587,211</u>	<u>1,090,026</u>	<u>4,192,001</u>	<u>3,697,521</u>	<u>1,343,329</u>	<u>11,910,088</u>	<u>507,000</u>
<b>Operating expenses:</b>							
Salaries and wages	207,037	192,878	245,170	196,905	279,658	1,121,648	-
Purchased Services	660,544	590,722	3,111,941	2,427,167	615,930	7,406,304	76,822
Supplies and Materials	97,168	90,240	59,776	35,294	72,168	354,646	47,324
Depreciation and Amortization	506,820	423,297	854,659	308,028	209,794	2,302,598	35,535
Miscellaneous	1,232	1,598	59,775	353	3,928	66,886	-
Total operating expenses	<u>1,472,801</u>	<u>1,298,735</u>	<u>4,331,321</u>	<u>2,967,747</u>	<u>1,181,478</u>	<u>11,252,082</u>	<u>159,681</u>
Operating income	<u>114,410</u>	<u>(208,709)</u>	<u>(139,320)</u>	<u>729,774</u>	<u>161,851</u>	<u>658,006</u>	<u>347,319</u>
<b>Nonoperating revenues (expenses):</b>							
Interest revenue	46,560	43,727	106,076	81,416	13,729	291,508	-
Impact Fees	1,498,802	457,694	507,946		-	2,464,442	-
Interest expense and fiscal charges	(154,864)	(326,962)	(1,507,867)	(507,463)	(427,512)	(2,924,668)	-
Loss on sale of telecom assets					(83,140)	(83,140)	-
Total nonoperating revenues (expenses)	<u>1,390,498</u>	<u>174,459</u>	<u>(893,845)</u>	<u>(426,047)</u>	<u>(496,923)</u>	<u>(251,858)</u>	<u>-</u>
<b>Net Income (loss) before contributions and Transfers</b>	<u>1,504,908</u>	<u>(34,250)</u>	<u>(1,033,165)</u>	<u>303,727</u>	<u>(335,072)</u>	<u>406,148</u>	<u>347,319</u>
Capital Contributions	799,572	51,520	98,280	9,800	-	959,172	-
Operating Transfers In	-	-	120,000	-	-	120,000	-
Operating Transfers out	(90,000)	(30,000)			-	(120,000)	-
Total Contributions and Transfers	<u>709,572</u>	<u>21,520</u>	<u>218,280</u>	<u>9,800</u>	<u>-</u>	<u>959,172</u>	<u>-</u>
<b>Change in net assets</b>	<u>2,214,480</u>	<u>(12,730)</u>	<u>(814,885)</u>	<u>313,527</u>	<u>(335,072)</u>	<u>1,365,320</u>	<u>347,319</u>
Total net assets - beginning	12,724,781	5,920,328	3,507,419	2,362,278	2,569,853		-
Total net assets - ending	<u>\$ 14,939,261</u>	<u>\$ 5,907,598</u>	<u>\$ 2,692,534</u>	<u>\$ 2,675,805</u>	<u>\$ 2,234,781</u>		<u>\$ 347,319</u>
Adjustment to reflect the consolidation of internal service fund activities to enterprise funds						188,389	
Change in net assets of business-type activities						<u>\$ 1,553,709</u>	

See accompanying notes to the financial statements.

**EAGLE MOUNTAIN CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Fund
	Nonmajor Enterprise Funds						
	Water	Sewer	Electric	Gas		Total BTAs	
Cash Flows From Operating Activities							
Receipts from customers	\$ 1,614,394	\$ 1,139,458	\$ 4,061,725	\$ 3,680,014	\$ 1,396,554	\$ 11,892,145	\$ 507,000
Interfund Services	803,983			(793,743)	(10,240)	-	-
Payments to suppliers	(754,168)	(767,486)	(2,983,207)	(2,450,939)	(693,484)	(7,649,284)	(109,305)
Payments to employees	(223,950)	(197,487)	(244,156)	(199,668)	(308,666)	(1,173,927)	-
Net cash provided (used) by operating activities	1,440,259	174,485	834,362	235,664	384,164	3,068,934	397,695
Cash Flows From Noncapital Financing Activities							
Transfers In	-	-	120,000	-	-	120,000	-
Transfers Out	(90,000)	(30,000)			-	(120,000)	-
Net cash provided (used) by noncapital financing activities	(90,000)	(30,000)	120,000	-	-	-	-
Cash Flows From Capital and Related Financing Activities							
Proceeds from the issuance of long-term debt			18,660,156	3,292,969		21,953,125	-
Proceeds from the sale of capital assets					5,149,084	5,149,084	-
Bond acquisition costs			(983,600)	(173,576)	-	(1,157,176)	-
Purchases of capital assets	(512,172)	(79,740)	(252,235)	(331,956)	-	(1,176,103)	(317,263)
Impact Fees Collected	1,498,802	457,694	507,946		-	2,464,442	-
Developer Contributions	750,000	-			-	750,000	-
Principal paid on capital debt	(67,200)	(142,800)	(16,821,250)	(3,003,750)	(4,050,000)	(24,085,000)	-
Interest paid on capital debt	(154,638)	(326,480)	(864,443)	(152,549)	(371,550)	(1,869,660)	-
Net cash provided (used) by capital and related financing activities	1,514,792	(91,326)	246,574	(368,862)	727,534	2,028,712	(317,263)
Cash Flows From Investing Activities							
Interest and dividends received	46,560	43,727	92,529	80,150	13,729	276,695	-
Net increase (decrease) in cash and cash equivalents	2,911,611	96,886	1,293,465	(53,048)	1,125,427	5,374,341	80,432
Cash and cash equivalents - beginning	1,719,150	1,129,143	3,693,717	1,231,065	873,449	8,646,524	-
Cash and cash equivalents (deficit) - end	\$ 4,630,761	\$ 1,226,029	\$ 4,987,182	\$ 1,178,017	\$ 1,998,876	\$ 14,020,865	\$ 80,432
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income	114,410	(208,709)	(139,320)	729,774	161,851	658,006	347,319
Adjustments to reconcile operating income to net cash provided (used) by operating activities:							
Depreciation expense	506,820	423,297	854,659	308,028	209,794	2,302,598	35,535
(Inc)/decrease in accounts rec.	33,653	43,990	(139,511)	(32,187)	205,376	111,321	-
(Inc)/decrease in due from other funds	803,983					803,983	-
Increase (decr.) in accounts payable	(8,164)	(84,926)	248,285	11,875	(1,458)	165,612	14,841
Increase (decr) in Due to other funds				(793,743)	(10,240)	(803,983)	-
Increase (decr) in compensated absences	(16,913)	(4,609)	(1,014)	(2,763)	(29,008)	(54,307)	-
Increase (decr.) in deposits	6,470	5,442	11,263	14,680	(152,151)	(114,296)	-
Total adjustments	1,325,849	383,194	973,682	(494,110)	222,313	2,410,928	50,376
Net cash provided (used) by operating activities	\$ 1,440,259	\$ 174,485	\$ 834,362	\$ 235,664	\$ 384,164	\$ 3,068,934	\$ 397,695
Noncash Investing, capital, and financing activities							
Contributions by Developers	\$ 49,572	\$ 51,520	\$ 98,280	\$ 9,800			

See accompanying notes to the financial statements.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Eagle Mountain (the City) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict the GASB pronouncements. The City applies FASB pronouncements issued after that date to its business-type activities and enterprise funds. The more significant accounting policies established by GAAP and used by the City are discussed below.

**A. Reporting Entity**

Eagle Mountain City was incorporated December 1996, under laws of the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the Mayor and a five-member City Council. They are assisted by a City Administrator, who also is the City's budget officer. The treasurer is currently responsible for the financial matters of the City, including money management, accounts payable, financial statements, utility billing, and accounts receivable. The City provides the following services as mandated by law: Public Safety, Highways and Streets, Sanitation, Parks, Water, Public Improvements, Planning and Zoning, and General Administrative Services.

The General Purpose Financial Statements of the City include the financial statements for all activities of the City based upon the criteria set forth in Governmental Accounting Standards Board (GASB) Statement 14. The primary criteria for including a board or agency in this report is financial accountability which determines whether an entity is a component unit of the financial reporting entity. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City. The City reports no component units.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statements of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**(Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after the year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**Measurement Focus (Continued)**

The government reports the following **major governmental funds**:

The *general fund* is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Special Improvement Districts Special Revenue Funds 98-1, 2001-1*, are used to account for the proceeds of specific revenue sources (other than expendable trusts, or capital projects) that are legally restricted to expenditures for specified purposes.

The government reports the following **major proprietary funds**:

The *water fund* accounts for the activities of the City's water operations.

The *sewer fund* accounts for the activities of the City's sewer operations.

The *electric fund* accounts for the activities of the City's electric operations.

The *gas fund* accounts for the activities of the City's gas operations.

Additionally the government reports the following fund types:

The *Internal service fund* accounts for the fleet management services provided to other departments of the government, on a cost reimbursement basis.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statement. Exceptions to this general rule are payments to the general fund by the various enterprise funds for providing administrative services for such funds. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations.

**D. Cash and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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*(Continued)*

The City's temporary cash investments consist of amounts deposited with Utah Public Treasurers' Investment Fund and money market funds. Investments are stated at cost, which approximates fair value.

**E. Interfund Transactions**

During the course of normal operations, the City has transactions between funds to distribute administrative costs and distribute grant proceeds. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are to be expended. The General Fund billed the respective enterprise funds for administrative costs associated with billing and collection of utility charges.

**F. Restricted Assets**

The City maintains cash balances as required by bond covenants. These amounts are reflected in the financial statements as restricted cash. It is the City's policy to use restricted assets first and then unrestricted assets.

**G. Capital Assets**

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Capital Assets (Continued)**

Property, plant and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	30-50
Improvements other than buildings	20-50
Infrastructure	30-50
Machinery and equipment	5-10
Furniture and fixtures	5-10

**H. Compensated Absences**

City employees accrue earned vacation, sick leave, long term sick leave, and comp time throughout the year. They are allowed to carry forward into the next calendar year all accrued comp, long term sick leave, and up to 240 hours of vacation time. But are encouraged to take their vacation leave within the calendar year in which it is earned. Upon termination of employment, an employee will be compensated for up to 240 hours of unused vacation leave, comp time, long term sick leave but forfeits any accumulated sick leave.

Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

**I. Taxes**

In Utah, county governments assess, levy, collect and disburse two principal types of tax: (1) personal property tax which is assessed on business assets other than real estate, and (2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied on all business personal property on January 1<sup>st</sup>, and real estate and improvement taxes are levied on January 1<sup>st</sup> and are payable by November 30<sup>th</sup>. The real property taxes which are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by deferred revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22<sup>nd</sup> each year.

The County Treasurer, acting as a tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**J. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the accrual debt proceeds received, are reported as debt service expenditures.

**K. Fund Equity**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of net assets are limited to outside third party restrictions. Appropriations of net assets are amounts that are specifically set aside for a particular expense in the following year. Designations of fund balance represent tentative management plans that are subject to change.

**L. Use of Estimates**

Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**Explanation (Continued)**

This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**1. Capital related items:**

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the city as a whole.

Cost of capital assets	\$47,925,706
Accumulated depreciation	<u>( 8,614,675)</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net-assets – governmental activities</i> )	<u>\$39,311,031</u>

**2. Long-term assets:**

Long-term assets applicable to the City's governmental activities are not available to pay for expenditures of the current period and are, therefore, deferred in the governmental balance sheet.

Special assessment revenue	\$14,341,090
Delinquent property taxes	<u>6,404</u>
Net adjustment to increase <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>\$14,347,494</u>

**3. Long-term debt transactions:**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements. All liabilities (both current and long-term) are reported in the statement of net assets.

Bonds and capital leases payable	(\$15,995,403)
Bond interest payable	( 292,406)
Deferred bond costs	865,084
Compensated absences	<u>( 48,021)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u>(\$15,470,746)</u>

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Capital outlay	\$1,407,580
Depreciation expense	<u>( 1,484,451)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (76,871)</u>

Another element of that reconciliation states, “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

Debt issued:	
Bonds Issued	(\$8,740,000)
Issuance cost amortization	<u>( 216,661)</u>
Total Debt Incurred	<u>(8,956,661)</u>

Principal Payments:	
Principal paid on bonds and capital leases	\$13,721,208
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$4,764,547</u>

Another element of that reconciliation states that certain expenses reported in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures in the governmental funds.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**Explanation (Continued)**

Accrued bond interest	\$ 255,915
Compensated absences	<u>43,446</u>
Net adjustment to increase <i>net changes in fund</i> <i>balances – total governmental funds to arrive</i> <i>at changes in net assets of governmental activities</i>	<u>\$ 299,361</u>

**NOTE 3 - BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City Administrator, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection ten days prior to the public hearing.
- C. On or before June 22<sup>nd</sup>, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1<sup>st</sup>.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**NOTE 3 – BUDGETS (Continued)**

- F. A public hearing, as required in (B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to reappropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget using the above procedures.

**NOTE - CASH**

The City maintains a cash and investment pool that is available for use by all funds. At June 30, 2006 the City's cash balance consisted of the following:

Cash, Cash Equivalents, and Temporary Cash Investments	\$ 15,303,079
Cash, and Cash equivalents - Restricted	<u>11,165,594</u>
Total Cash and cash Equivalents	<u><u>\$ 26,468,673</u></u>

While the City's carrying amount of deposits was \$13,318,929 the balance in the City's bank account and cash on hand was \$11,170,974, with the difference being due to outstanding checks and deposits in transit.

**A. Deposits**

Deposits – Custodial Credit Risk. Custodial risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City follows the requirements of the Utah Money Management Act in handling its depository and investing transactions. The City considers the actions of the State Money Management Council to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2006, the City's custodial credit risk for deposits were as follows:

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**NOTE 4 CASH (Continued)**

Depository Account	Custodial Credit Risk	Balance June 30, 2006
Checking and Savings	Insured and collateralized	\$ 100,010
Checking and Savings	Uninsured and uncollateralized	2,423,661
Investment Sweep	Uninsured and uncollateralized	8,647,303
Total Deposits		<u>\$ 11,170,974</u>

**B. Investments**

The City's investments are managed through participation in the State Public Treasurers' Investment Fund and through a trust arrangement with a local bank. As of June 30, 2006 the City had the following investments:

Investments	Investment Maturities (in Years)			
	Less Than 1	1-5	6-10	More than 10
Utah Public Treasurer's Investment Fund	\$ 5,889,238	\$ -	\$ -	\$ -
First American Treasury Obligations	7,260,500			
Total Investments	<u>\$13,149,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Investments – Interest Rate Risk.** The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, interest rate risk is managed by compliance with the Utah Money Management Act, which provides guidance for handling depository and investing transactions in order to minimize interest rate risk.

**Investments – Credit Risk.** The City follows the requirements of the Utah Money Management Act in handling its Depository and investing transactions. The City funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the City to invest in the Utah Public Treasurers Investment Fund (PTIF), certificates of Deposits, U.S. Treasury obligations, U.S. agency issues, restricted mutual funds, and obligations of governmental entities within the State of Utah. The City's investments are invested in

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

*(Continued)*

accordance with the Act. The State Money Management Council provides regulatory oversight for the investments. The degree of risk of the investments depends on the underlying portfolio. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The City considers the actions of the Council to be necessary and sufficient for adequate protection of its investments. The City has no investment policy that would further limit its investment choices.

At June 30, 2006 the City had the following investments and quality ratings:

Investments	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah Public Treasurer's Investment Fund	\$ 5,889,238	\$ -	\$ -	\$ -	\$5,889,238
First American Treasury Obligations	7,260,500	\$ 7,260,500			-
Total Investments	<u>\$13,149,738</u>	<u>\$ 7,260,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,889,238</u>

**Investments Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's \$13,149,738 investment in a trust arrangement, and the Utah State Treasurers Investment Pool, the entire amount of underlying securities are held by the Investment's counterparty, not in the City's name and are not insured. The City's investment arrangements primarily invest in Utah State Treasurers investment pool, obligations of the United States Treasury, agencies, or instrumentalities of the United States that meet the allowable investments of the Utah Money Management Act. The City does not have an investment policy for custodial credit risk.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**NOTE 5 - RECEIVABLES**

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	SID 98-1	SID 2001-1	Water	Sewer	Electric	Gas	Nonmajor Enterprise	Non major Govt'l	Total
<b>Receivables:</b>										
Accounts	\$ 70,461			\$225,268	\$ 126,686	\$ 506,420	\$ 278,112	\$105,628		\$ 1,312,575
Taxes	838,638									838,638
Special										-
Assessments		4,602,504	8,065,081						1,656,798	14,324,383
Intergovernmental	79,236									79,236
Less Allowance For uncollectible Accounts				(5,000)	(5,000)	(5,000)	(5,000)	(15,000)		(35,000)
	<u>\$ 988,335</u>	<u>\$ 4,602,504</u>	<u>\$ 8,065,081</u>	<u>\$ 220,268</u>	<u>\$ 121,686</u>	<u>\$ 501,420</u>	<u>\$ 273,112</u>	<u>\$ 90,628</u>	<u>\$ 1,656,798</u>	<u>\$ 16,519,832</u>

**NOTE 6 - INTERFUND RECEIVABLES**

The composition of interfund balances as of June 30, 2006 are as follows:

<u>Fund</u>	<u>Receivable Amount</u>	<u>Payable Amount</u>
Special Revenue Fund		
SID 97-1 Fund	\$ -	\$ 42,371
SID 98-3 Fund		266,433
Capital Projects Fund		163,544
General Fund	<u>472,348</u>	
Total	<u>\$472,348</u>	<u>\$472,348</u>

Governmental funds report *deferred* revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ 624,627	\$
Special Assessments (Special Revenue Fund)	<u>14,324,384</u>	
Total	<u>\$14,949,011</u>	<u>\$ 0</u>

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**NOTE 7 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

<b>Primary Government</b>	<b>Beginning</b>			<b>Ending</b>
<b>Governmental activities:</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 5,384,797			\$ 5,384,797
Total capital assets not being depreciated	5,384,797			5,384,797
Capital assets being depreciated:				
Buildings	841,116			841,116
Improvements	7,600			7,600
Machinery and equipment	914,747	381,558		1,296,305
Infrastructure	39,369,866	1,026,022		40,395,888
Total capital assets being depreciated	41,133,329	1,407,580		42,540,909
Less accumulated depreciation for:				
Buildings	111,420	18,692		130,112
Improvements	1,393	253		1,646
Machinery and equipment	607,358	148,831		756,189
Infrastructure	6,410,053	1,316,675		7,726,728
Total accumulated depreciation	7,130,224	1,484,451		8,614,675
Total capital assets, being depreciated, net	34,003,105	(76,871)		33,926,234
Governmental activities capital assets, net	\$ 39,387,902	\$ (76,871)	\$ -	\$ 39,311,031
	<b>Beginning</b>			<b>Ending</b>
<b>Business-type activities:</b>	<b>Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance</b>
Capital assets not being depreciated:				
Construction in Progress	\$ -			\$ -
Land	1,750,903		83,627	1,667,276
Total capital assets not being depreciated	1,750,903	0	83,627	1,667,276
Capital assets being depreciated:				
Buildings	4,426,352	144,144		4,570,496
Machinery and equipment	53,644,015	1,241,131	7,347,013	47,538,133
Total capital assets being depreciated	58,070,367	1,385,275	7,347,013	52,108,629
Less accumulated depreciation for:				
Buildings	396,904	126,498		523,402
Machinery and equipment	10,742,491	2,083,848	1,998,417	10,827,922
Total accumulated depreciation	11,139,395	2,210,346	1,998,417	11,351,324
Total capital assets, being depreciated, net	46,930,972	(825,071)	5,348,596	40,757,305
Business-type activities capital assets, net	\$ 48,681,875	\$ (825,071)	\$ 5,432,223	\$ 42,424,581

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**NOTE 7 - CAPITAL ASSETS (Continued)**

Governmental activities:

General government	\$ 14,302
Public safety	116,132
Public Works	1,344,585
Planning	9,432
	<u>\$1,484,451</u>

Business-type activities:

Water	\$ 498,363
Sewer	403,622
Electric	810,639
Gas	297,329
Telecom	200,393

Total depreciation expense - Business-Type Activities	<u>\$2,210,346</u>
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Total depreciation expense	<u>\$3,694,797</u>
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**NOTE 8 - LONG-TERM DEBT**

Bonds and notes payable at June 30, 2006 are comprised of the following:

	July 1 2005	Additions	Reductions	June 30 2006	Due in One Yr
<b>Governmental Activities:</b>					
Bonds Payable:					
Excise tax road bonds	\$ 1,226,000	\$ -	\$ 103,000	\$1,123,000	\$ 108,000
Special Assessment bond 97-1	470,000	-	148,000	322,000	156,000
Special Assessment bond 98-3	1,879,000	-	433,000	1,446,000	457,000
Special Assessment bond 2001-1	11,585,000	-	11,585,000	-	-
Special Assessment bond 2004A	5,637,000	-	1,427,000	4,210,000	645,000
Special Assessment bond 2006	-	8,840,000	-	8,840,000	330,000
Capital Lease	79,611	-	25,208	54,403	26,515
Compensated absences	91,468	-	43,447	48,022	-
	<u>\$20,968,079</u>	<u>\$8,840,000</u>	<u>\$13,764,655</u>	<u>\$16,043,425</u>	<u>\$ 1,722,515</u>
Gov't Activities long-term Debt					

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

	July 1 2005	Additions	Reductions	June 30 2006	Due in One Yr
<b>Business Type Activities:</b>					
<b>Bonds Payable:</b>					
Water and Sewer Revenue Bond	\$ 8,130,000	\$ -	\$ 210,000	\$ 7,920,000	\$ 220,000
Electric and Gas Revenue Bond	19,825,000	-	19,825,000	-	-
Telecommunication Revenue Bond	4,050,000	-	4,050,000	-	-
Electric & Gas Refunding Bond		21,475,000		21,475,000	-
Compensated Absences	93,616		54,307	39,309	-
Business- Type Activities long-term Debt	<u>\$32,098,616</u>	<u>\$21,475,000</u>	<u>\$24,139,307</u>	<u>\$29,434,309</u>	<u>\$ 220,000</u>

1. **\$2,195,000 Eagle Mountain City Special Assessment Bonds Series 1997 (SID 97-1)**  
These bonds require annual installments of interest and principal due beginning December 15, 2001 through December 15, 2007, bearing interest ranging from 4.75% to 5.25%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$156,000	\$18,998	\$174,998
2008	166,000	9,794	175,794
Total	<u>\$322,000</u>	<u>\$28,792</u>	<u>\$350,792</u>

2. **\$5,090,000 Eagle Mountain City Special Assessment Bonds, Series 1998 (SID 98-3)**  
These bonds require annual installments of interest and principal due December 15, 2001 through December 15, 2008, bearing interest of 5.5%. Debt service requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2007	\$ 457,000	\$ 79,530	\$ 536,530
2008	481,000	54,395	535,395
2009	508,000	27,940	535,940
Total	<u>\$ 1,446,000</u>	<u>\$ 161,865</u>	<u>\$ 1,607,865</u>

3. **\$6,295,000 Eagle Mountain City Special Assessment Bonds Series 2005A (SID 98-1)**  
These bonds require annual installments of interest and principal due beginning May 1, 2006 through May 1, 2013 bearing interest of 6.25%. The debt service requirements to maturity are as follows:

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 452,000	\$ 263,125	\$ 715,125
2008	476,000	234,875	710,875
2009	508,000	205,125	713,125
2010	540,000	173,375	713,375
2011	574,000	139,625	713,625
2012-2013	1,660,000	161,875	1,821,875
Total	<u>\$ 4,210,000</u>	<u>\$1,178,000</u>	<u>\$ 5,388,000</u>

**4. \$1,226,000 Eagle Mountain City Excise Tax Road Bonds Series 2005**

These bonds require semiannual payments of interest and annual payments of Principal due September 1, 2005 through September 1, 2014, bearing interest ranging from 2.52 to 4.5%.

The debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 108,000	\$ 42,943	\$ 150,943
2008	111,000	39,448	150,448
2009	114,000	35,502	149,502
2010	119,000	31,137	150,137
2011	123,000	26,362	149,362
2012-2016	548,000	49,684	597,684
Total	<u>\$ 1,123,000</u>	<u>\$ 225,076</u>	<u>\$ 1,348,076</u>

- 5. \$8,840,000 Eagle Mountain City Special Assessment Bond 2006 (SID2001-1)** This bond was used to refund the original SID 2001-1 bond. The refunding was undertaken to reduce future debt payments. These bond requires annual installments of interest and principal due beginning February 2007 through February 2021 bearing an interest rate ranging from 8.25 to 8.35 %. Debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 330,000	\$ 714,404	\$ 1,044,404
2008	345,000	703,085	1,048,085
2009	375,000	674,278	1,049,278
2010	405,000	642,965	1,047,965
2011	440,000	609,263	1,049,263
2012-2016	2,795,000	2,439,524	5,234,524
2017-2021	4,150,000	1,081,162	5,231,162
Total	<u>\$8,840,000</u>	<u>\$ 6,864,681</u>	<u>\$ 15,704,681</u>

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**6. \$8,700,000 Eagle Mountain City Water and Sewer Revenue Bonds Series 2000**

These bonds require annual installments of interest and principal due beginning November 15, 2002 through November 15, 2026 bearing interest ranging from 5.6 to 6.0%. Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 220,000	\$ 452,755	\$ 672,755
2008	235,000	441,123	676,123
2009	245,000	428,731	673,731
2010	255,000	415,221	670,221
2011	275,000	400,381	675,381
2012-2016	1,625,000	1,745,706	3,370,706
2017-2021	2,165,000	1,199,015	3,364,015
2022-2026	2,900,000	455,378	3,355,378
Total	<u>\$ 7,920,000</u>	<u>\$ 5,538,310</u>	<u>\$ 13,458,310</u>

- 7. Eagle Mountain City Electric and Gas Revenue bonds series 2006.** This bond was issued to refund a prior revenue bond and to reduce restrictive covenants. This bond requires semi annual payments of interest and principal beginning June 2006 through June 2026 bearing an interest rate ranging from 3.5 to 5.0 % Debt service requirements to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$	\$ 966,244	\$ 966,244
2008	460,000	966,244	1,426,244
2009	515,000	950,144	1,465,144
2010	580,000	932,119	1,512,119
2011	645,000	911,819	1,556,819
2012-2016	4,375,000	4,142,644	8,517,644
2017-2022	6,540,000	2,976,327	9,516,327
2023-2026	8,360,000	1,212,900	9,572,900
Total	<u>\$ 21,475,000</u>	<u>\$ 13,058,441</u>	<u>\$ 34,533,441</u>

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

**8. Capital Leases Payable at June 30, 2006**

Eagle Mountain has entered into a lease agreement of \$168,614 for financing the acquisition of EMS Vehicle, Ambulance, and equipment. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006 are as follows:

Assets acquired through capital leases are as follows:

Machinery & Equipment	\$167,569
Less: Accumulated Depreciation	( 167,569)
	<u>\$ 0</u>
<u>Fiscal Year</u>	<u>Payment</u>
2007	\$ 29,336
2008	29,336
Total Minimum Lease Payments	58,672
Less: Amount representing interest	( 4,267)
Present Value of Minimum Lease Payments	<u>\$54,404</u>

**9. Total debt service requirements of the City for all bonds and notes is as follows:**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,749,515	\$ 2,540,820	\$ 4,290,335
2008	2,301,889	2,450,410	4,752,299
2009	2,265,000	2,321,721	4,586,721
2010	1,899,000	2,194,817	4,093,817
2011	2,057,000	2,087,450	4,144,450
2012-2016	11,002,000	8,539,433	19,541,433
2017-2021	12,855,000	5,256,504	18,111,504
2022-2026	11,261,000	1,668,277	12,929,277
Total	<u>\$ 45,390,404</u>	<u>\$27,059,432</u>	<u>\$ 72,449,836</u>

**10. Defeased \$11,935,000 Eagle Mountain City Special Assessment Bonds, Series**

**2001** - This Bond was refunded during 2006 the principle of \$11,180,000 was paid to retire the old debt. The remaining \$405,000 of the outstanding debt was defeased and the funds were placed in a separate account until the required debt payment. The debt has been removed from the books of the City and the defeased debt schedule is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 405,000	\$ 32,400	\$ 437,400
Total	<u>\$ 405,000</u>	<u>\$ 32,400</u>	<u>\$ 437,400</u>

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**NOTE 9 - EXPENDITURES IN EXCESS OF APPROPRIATIONS**

For the year ended June 30, 2006 expenditures exceeded budget in the debt service, special improvement district 98-1, special improvement district 2001-1 by \$150,153, \$204,344, and \$11,073,955 respectively.

**NOTE 10 - RESERVED FUND BALANCES**

The City has reserved fund balances for unspent impact fees, debt service payments, and unspent B&C road funds.

**NOTE 11 - LITIGATION**

The City is a defendant in certain legal actions and pending actions, or in process for miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. City management is of the opinion that the final outcome of the cases will not have an adverse material affect on the City's financial statements.

**NOTE 12 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Utah Local Governments Trust (a public entity risk pool). All claims are submitted to the Utah Local Governments Trust which acts as a commercial insurer. The Association is obligated to pay all claims covered by its plan. All claims are subject to a \$5,000 deductible. The deductible is accrued as a current liability when the claim is incurred. The Utah Local Governments Trust covers claims up to \$10,000,000. The City has not incurred a claim in excess of its coverage for any of the past three fiscal years.

**NOTE 13 - RETIREMENT PLAN**

**Plan Description.** Eagle Mountain City contributes to the Local Governmental Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

**EAGLE MOUNTAIN CITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2006**

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**NOTE 13 - RETIREMENT PLAN (Continued)**

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Noncontributory Retirement System, and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy.** In the Local Governmental Noncontributory Retirement System, Eagle Mountain City is required to contribute 11.09% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are approved by the Board as authorized by Chapter 49.

Eagle Mountain City contributions to the Noncontributory Retirement System for June 30, 2006, 2005, and 2004, were \$221,072, \$186,045, and \$141,124, respectively. The contributions were equal to the required contributions for each year.

Eagle Mountain City contributions to the 401K Contribution System for June 30, 2006, 2005 and 2004 were \$110,151, \$25,583, and \$17,139, respectively.

**NOTE 14 - SALE OF CAPITAL ASSETS**

During the year the City sold all of its capital assets in the telecommunications fund. The City will no longer manage the telecommunications within the City. The Assets were sold for \$5,361,084. The transaction resulted in a \$200,000 receivable on the City's financial statement as of the balance sheet date. That amount has subsequently been paid.

**NOTE 15 - CONCENTRATIONS AND DEPENDENCIES**

Of the general fund revenue, 30% is derived from development activities. Virtually all fees are collected from the master developers, Eagle Mountain Properties and The Ranches or builders working in conjunction with the master developers.

**NOTE 16 - DEFICIT FUND BALANCE**

The City's Capital Projects Fund has a deficit fund balance at June 30, 2006 of \$163,544.

**REQUIRED SUPPLEMENTAL INFORMATION**

**EAGLE MOUNTAIN CITY**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget to Actual  
General Fund  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,631,780	\$ 1,699,880	\$ 1,975,019	\$ 275,139
Licenses and Permits	1,399,500	1,342,500	2,555,678	1,213,178
Intergovernmental	435,000	455,600	499,806	44,206
Charges for Services	1,100,000	1,222,600	1,426,009	203,409
Impact Fees	-	-	1,220,121	1,220,121
Miscellaneous	565,600	565,600	712,980	147,380
Total Revenues	<u>5,131,880</u>	<u>5,286,180</u>	<u>8,389,613</u>	<u>3,103,433</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,229,722	2,515,657	2,511,697	3,960
Public Safety	1,221,098	1,582,287	1,326,771	255,516
Planning and Zoning	189,808	204,808	198,802	6,006
Public Works	1,093,424	1,292,423	890,946	401,477
Community Development	457,155	604,754	602,492	2,262
Debt Service	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	<u>5,191,207</u>	<u>6,199,929</u>	<u>5,530,708</u>	<u>669,221</u>
Excess (deficit) of revenues over (under) expenditures	<u>(59,327)</u>	<u>(913,749)</u>	<u>2,858,905</u>	<u>3,772,654</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	(375,335)	(375,335)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(375,335)</u>	<u>(375,335)</u>
Net Change in Fund Balance	(59,327)	(913,749)	2,483,570	3,397,319
Fund balances - beginning	<u>3,087,267</u>	<u>3,087,267</u>	<u>3,087,267</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,027,940</u>	<u>\$ 2,173,518</u>	<u>\$ 5,570,837</u>	<u>\$ 3,397,319</u>

See accompanying notes to the financial statements.

**EAGLE MOUNTAIN CITY**  
Schedule of Revenues, Expenditures, and Changes in Fund Balance  
Budget to Actual  
**Special Improvement District 98-1**  
For the Year Ended June 30, 2006

	Budgeted Amounts		Actual Totals	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 1,572,188	\$ 1,572,188	\$ 1,900,394	\$ 328,206
Miscellaneous	20,000	-	64,208	64,208
Impact Fees	-	-	225,545	225,545
Total Revenues	<u>1,592,188</u>	<u>1,572,188</u>	<u>2,190,147</u>	<u>617,959</u>
<b>EXPENDITURES</b>				
General Government	0	0	117	(117)
Debt Service	<u>1,592,188</u>	<u>1,592,188</u>	<u>1,796,532</u>	<u>(204,344)</u>
Total Expenditures	<u>1,592,188</u>	<u>1,592,188</u>	<u>1,796,649</u>	<u>(204,461)</u>
Excess (deficit) of revenues over (under) expenditures	<u>-</u>	<u>(20,000)</u>	<u>393,498</u>	<u>413,498</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(20,000)	393,498	413,498
Fund balances - beginning	<u>1,364,161</u>	<u>1,364,161</u>	<u>1,364,161</u>	<u>-</u>
Fund balances - ending	<u>\$ 1,364,161</u>	<u>\$ 1,344,161</u>	<u>\$ 1,757,659</u>	<u>\$ 413,498</u>

*See accompanying notes to the financial statements.*



**Don D. Richardson**  
*Mayor*

April 19, 2007

MacRay A. Curtis  
State of Utah  
Office of the State Auditor  
Utah State Capitol Complex  
East Office Building, Suite E310  
PO Box 142310  
Salt Lake City, Utah 84114-2310

Dear Mr. Curtis:

As requested in your letter of April 5, 2007, I am submitting the City of Eagle Mountain's Corrective Action Plan regarding budgetary compliance. This finding was noted in the City's Financial Statements for Fiscal Year 2006.

The City monitors its expenditures frequently and compares the actual expenditures to budgeted expenditures. City staff will more carefully monitor expenditures versus the budget. To ensure future compliance with State Law, City staff will prepare regular budget amendments for City Council approval via the public hearing process.

It is expected that the City will be in compliance in Fiscal Year 2007. The anticipated completion date will be June 30, 2007. The contact person for this action is Gordon Burt, City Treasurer.

I trust the foregoing is satisfactory. Should you have any questions, please do not hesitate to contact me.

Yours truly,

Don D. Richardson

DR/gsb

Cc: John Hendrickson, City Administrator



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